

NON-PROFIT CORPORATION

CONFLICT OF INTEREST POLICY

Section 1 Purpose.

The purpose of this conflicts of interest policy is to protect the corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the corporation. This policy is intended to supplement but not replace ORS 65.361 governing conflicts of interest applicable to nonprofit and charitable corporations.

Section 2 Definitions.

2.1 Interested Person.

Any director, principal officer, or member of a committee with board-delegated powers who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person with respect to any entity in the health care system of which the corporation is part, he or she is an interested person with respect to all entities in the health care system.

2.2 Direct Financial Interest

A transaction or compensation arrangement between the individual and the corporation.

2.3 Indirect Financial Interest

An ownership or investment interest in any entity with which the corporation has a transaction or a compensation arrangement; or a compensation arrangement with any entity or individual with which the corporation has a transaction or compensation arrangement; or a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the corporation is negotiating a transaction or compensation arrangement.

2.4 Compensation

Direct and indirect remuneration as well as gifts or favors that are substantial in nature.

Section 3 Procedures

3.1 Duty to Disclose.

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence and nature of his or her financial interest to the directors and members of committees with board-delegated powers considering the proposed transaction or arrangement.

3.2 Determining Whether a Conflict of Interest Exists.

After disclosure of the financial interest, the interested person shall leave the Board or committee meeting while the financial interest is discussed. The remaining board or

committee members shall determine if a conflict of interest exists by vote wherein a majority of the votes cast shall be required to establish that a conflict exists.

3.3 Procedures for Addressing the Conflicts of Interests.

3.3.1 The President or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

3.3.2 After exercising due diligence, the Board or committee shall determine whether the corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.

3.3.3 If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the corporation's best interest and for its own benefit and whether the transaction is fair and reasonable to the corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination. The director who is the subject of the conflict of interest shall not participate in the deliberations except to answer questions and shall not be present in the room during the deliberations or vote.

3.4 Violations of the Conflicts of Interest Policy.

3.4.1 If the Board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest or has breached the fiduciary duty to keep Board discussions confidential, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose or breach.

3.4.2 If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the Board or committee determines that the member has in fact failed to disclose an actual or possible conflict of interest or has breached the fiduciary duty to keep Board discussions confidential, it shall take appropriate disciplinary and corrective action.

Section 4 Records of Proceedings.

The minutes of the Board and all committees with board-delegated powers shall contain:

4.1 The names of the persons who disclosed or otherwise were found to have an actual or possible conflict of interest, the nature of the conflict, any action taken to determine whether a conflict of interest was present, and the Board or committee decision as to whether a conflict of interest in fact existed.

- 4.2 The names or the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

Section 5 Compensation Committees.

- 5.1 A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the corporation for services is precluded from voting on matter pertaining to that member's compensation.

Section 6 Annual Statements.

Each director, principal officer and member of a committee with board-delegated powers shall annually sign a statement which affirms that such person:

- 6.1 Has received a copy of the conflicts of interest policy,
- 6.2 Has read and understands the policy,
- 6.3 Has agreed to comply with the policy, and
- 6.4 Understands that the corporation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.